

1 and regulatory parity. To us that means comparable services  
2 for comparable support. Today we have similar support for  
3 providing dissimilar service. Specifically, we need to have  
4 carrier of last resort obligations, obligations to provide  
5 an unlimited basic local calling plan on the same terms as  
6 the ILEC, a requirement to offer service throughout the same  
7 service territory as the ILEC, comparable customer service  
8 standards and reporting requirements so that commissions can  
9 monitor how this money is being used, and the quality of  
10 service the consumers are receiving.

11 They also should have equal access obligations.  
12 And as an outgrowth of this, the joint board should  
13 recommend specific enforcement measures that enable the FCC  
14 and USAC to verify the support is being used by the CETCs in  
15 the purpose that was intended as required by section 254(e)  
16 of the Act. And carriers who do not invest in the network  
17 infrastructure, should not be permitted to take support away  
18 from carriers who do.

19 And, ultimately, I think if we had those types of  
20 standards, that we will find that the consumer benefit can  
21 be justified and closely examined.

22 MR. METTS: I guess I would say I have mixed  
23 emotions in this regard. I think there is a place for  
24 standards. We heard here said that the states are doing a  
25 good job. I think some states are, I don't know that all

1 states are, especially in the area of the commitment to --  
2 for the ETC to serve the entire service area.

3 My company serves 4600 square miles in  
4 southeastern New Mexico. And we have 2800 customers in that  
5 area. We regularly, on a regular basis, spend several  
6 thousand dollars to provide service to one customer, and I  
7 do not see a lot of ETCs hopping in line to go out and get  
8 that customer ahead of us. They don't have to, and they  
9 probably won't.

10 MR. STRAND: I'm in a schizophrenic situation as  
11 well, because the Montana commission has already endorsed  
12 and, on the record, supported a number of the service  
13 quality standards that we have proposed through MUST.

14 If federal guidelines -- so we wouldn't want to  
15 see federal guidelines that would be more vanilla, I  
16 suppose, than what are state commissioners are already  
17 taking a look at -- but if federal guidelines were  
18 established, I think there's some common sense guidelines.

19 Number one is coverage area. It doesn't matter  
20 whether you provide service if you can't reach the  
21 customers. The other issue is congestion. If you're -- if  
22 the signal cannot get through your network because there's  
23 too much congestion, again, you can't to your customers,  
24 that's a common sense type of thing.

25 Equal access should be required. If it's not

1 going to be required of ETCs, then it shouldn't be required  
2 of incumbents. We should be able to simply pick those  
3 customers to our own long distance provider.

4 And then I think a cost benefit analysis -- if  
5 the companies in our areas are getting say 30 to 35 dollars  
6 per month per line for universal service, how many more  
7 companies are we going to give 30 to 35 dollars per month  
8 per line to, and at what point, I mean, essentially service  
9 is going to have to be free to the customer in order for  
10 there to be a benefit that's equal to the cost to the  
11 universal service fund.

12 The last set of guidelines would be in the area  
13 of customer support. What has to appear in the billing,  
14 truth in billing type things. And what do you do about  
15 service outages.

16 On a last point that I guess I'd like to make is  
17 that, I represent a number of companies in Montana, and I  
18 also operate in North Dakota, Wyoming and Nevada. They've  
19 all come to me and asked me, on behalf of their wireless  
20 subsidiaries, at what point are they, as directors on a  
21 board, in breach of their fiduciary duty by not applying for  
22 ETC designation?

23 That puts me in a real tricky position. Now what  
24 I tell them right now is that, at least in Montana, I feel  
25 that the commission and commission's staff are sufficiently

1     aware of the need for stringent requirements that they  
2     probably are not in breach.

3                 But if a case went through the Montana commission  
4     fairly easily without much in the way of guidelines, then I  
5     would have to advise all of the wireless carriers in my  
6     state to immediately apply for ETC or risk being in breach  
7     of fiduciary duty to their company.

8                 MR. DUNLEAVY: Thank you, Madam Chairman. I've  
9     listened very carefully to what you say and several of you  
10    have indicated that you're looking for some national  
11    standards. Maybe I'm particularly dense, but can you be  
12    more specific? How can you have national standards given  
13    all of the differences that exist from place to place, okay?

14                Manhattan, Kansas is not Manhattan, New York.  
15    Tell me how you establish a standard that applies in both  
16    places? Anyone.

17                MR. STRAND: Well, I think a couple of them right  
18    off the bat would be, in all cases, you have to have a  
19    communications path from point A to point B. If you're  
20    coverage doesn't reach the customers, the other customer at  
21    the end of the line, then, you know, the fact that voice-  
22    rate service is one of the nine supported services is  
23    essentially meaningless if you can't complete a call.

24                So you have to have the coverage area. You can't  
25    have such network congestion that you can't get a call from

1 point A to point B, because, again, it doesn't matter if you  
2 offer voice-rate service if your network is so congested  
3 that you can't get a call through the network.

4 So there's some commonsense ones right off the  
5 bat.

6 MR. DUNLEAVY: But are you suggesting, Mr.  
7 Strand, that those are standard or those are guidelines and  
8 these are -- these can be much broader than -- they don't  
9 necessarily have to be specific. Is that what you're  
10 suggesting?

11 MR. STRAND: Well, I think they can be specific.  
12 For example, you could put in a standard that no more than  
13 one in two hundred calls is blocked due to network  
14 congestion, and that could be a numeric standard and can be  
15 tested. You could do that, or you could do broader  
16 guidelines.

17 As I've said, my inclination, based on where the  
18 FCC has historically gone with this, is that they have a  
19 affirmatively tried to get ETC designation to as many  
20 competitors as possible, and have made them -- have set the  
21 bar as low as they possibly can. So it's kind of hard for  
22 me to support federal guidelines.

23 But if the FCC had a change in their philosophy,  
24 and I think there are a number of very specific public  
25 interest criteria that could be developed for each of the

1 existing services that are supported.

2 MR. GLOVER: Commissioner, I think ITTA is firmly  
3 on the record here with regard to supporting national  
4 standards. It's kind of like I tell my children, if you  
5 don't have any standards, that could lead to very bad  
6 things. And so having high standards are often good.

7 In businesses, I think that, at least a minimum  
8 set of national standards that we've outlined here certainly  
9 give a certain amount of direction for the states and  
10 carriers. But beyond that, clearly the states will be free  
11 to impose their own standards above the national standards  
12 as they saw fit.

13 But at least a minimum set of criteria ought to  
14 be established, because, after all, even incumbents today,  
15 under the definitions of universal service, have standards  
16 and requirements that we have to live up to.

17 COMMISSIONER ABERNATHY: And so you're talking  
18 more about a minimum floor on this.

19 MR. GLOVER: Yes.

20 COMMISSIONER ABERNATHY: Which -- then the states  
21 go from there and --

22 MR. GLOVER: Correct.

23 COMMISSIONER ABERNATHY: -- and build on it.

24 MR. DUNLEAVY: And the states continue to have  
25 the ability to build off that. That's the minimum --

1 MR. GLOVER: Absolutely.

2 MR. DUNLEAVY: -- that's the platform and then  
3 the states could do whatever they want about them.

4 MR. GLOVER: Absolutely.

5 MR. THOMSEN: I think that if they are truly  
6 minimal standards that every commission worth their salt is  
7 going to have those in place anyway. I think that it is  
8 belittling to the state commissions to impose a minimal set  
9 of standards.

10 I'm thinking that they wouldn't use those as a  
11 standard anyway. And it's certainly been my experience in  
12 the hearings that we've had in the whole raft of  
13 applications we've made going back five years. There isn't  
14 a commission, at least in the markets in which we do  
15 business, that doesn't have a very sound set of minimal  
16 standards.

17 COMMISSIONER ADELSTEIN: Well, that would argue  
18 for having more robust standards, then, I take it?

19 MR. THOMSEN: No, quite the contrary. I don't  
20 believe in federal big brother.

21 MS. BOYLE: If I could respond, or at least  
22 answer your question, Commissioner, and you did point out  
23 the one area in Manhattan, Kansas where there is a lot of  
24 open space as opposed to New York City where's there's not,  
25 and I've heard the arguments of trying to get coverage in

1 areas where there are many, many tall buildings and you  
2 can't even get the signal through.

3 Maybe that is why it has to be considered on a  
4 state by state basis considering the topography of the  
5 state. But there are other standards that land lines are  
6 held to, for example, speed of answer. We all know that  
7 we -- the story in today's USA Today did not address  
8 wireless, but it did address land line, of all the billing  
9 problems that people have had.

10 And part of the frustration that I hear from  
11 people all the time is, they don't like getting into some  
12 kind of a queued answer to try to get access to a human  
13 being to solve problems. So there are areas where they will  
14 not match because the technology is different.

15 On the land line side, we require a technician to  
16 be at someone's home for repair in a certain amount of time,  
17 while the reverse of that, on the wireless side, is the  
18 customer takes the wireless phone to a service center and  
19 they take care of it there. So those would not match, but  
20 certainly there are areas where we could look and see where  
21 they could be and try to offer equivalent service.

22 MR. DUNLEAVY: Sort of like banking. If you want  
23 to stand in line, or use the ATM so that we can save some  
24 money on clerks. Thank you.

25 COMMISSIONER ABERNATHY: Okay, Commissioner



1 Thompson and I have decided to defer so we can make sure  
2 Billy Jack gets some time, and then we'll sneak in some  
3 questions, I'm sure, further on.

4 MR. GREGG: Thank you. Now for something  
5 completely different. Would you all agree that one of the  
6 implicit underpinnings of section 214(e)(2) of the Act is  
7 that there are certain areas in our nation where it doesn't  
8 make any sense to have more than one subsidized carrier, and  
9 that to a large extent, the whole public interest exercise  
10 outlined in the Act is a determination or an attempt to  
11 determine what those areas are?

12 MR. STRAND: I would certainly agree with that.  
13 In some of the more remote and extremely sparsely populated  
14 areas of the country, it's very difficult to see how two  
15 carriers could possibly survive. So we end up with, when  
16 we're granting the same support to both the incumbent and  
17 the ETC, it's just a race to see which -- because when they  
18 put the other out of business, it'll seem like an awful  
19 waste of limited funds to do that.

20 MR. GREGG: Does anybody disagree with that?

21 MR. THOMSEN: I don't think there's a place in  
22 America that will not benefit from competition. We put a  
23 cell site into a town in North Dakota called Regent, North  
24 Dakota, and started competing directly with the incumbent  
25 telco there.

1           They're about 100 people in Regent, North Dakota,  
2   and the ILEC responded by turning off our service and when  
3   the courts required that they turn it back on and charged  
4   them a fee, they turned around and started providing better  
5   service, a larger local calling area, and more advanced  
6   services than they ever had before.

7           In fact, those people in Regent, North Dakota  
8   benefitted tremendously whether or not they ever used our  
9   service by the introduction of competition. I have no idea  
10   what the universal service funding aspect of that is, and in  
11   fact, because the telephone company made the changes they  
12   did, they held on to a significant portion of the customer  
13   base that they had.

14           And, in fact, we don't have very many customers  
15   in Regent, North Dakota right now, but the customers were  
16   much better served as a result of the introduction of  
17   competition.

18           I think that is the case every place across  
19   America. And that's one of the keys of the universal  
20   service, is the benefits of competition, the advantages that  
21   the people who live in urban markets have should be  
22   transferred to all citizens throughout America regardless of  
23   where they live.

24           MR. GREGG: So, Mr. Thomsen, it is your position  
25   that there are no areas in the United States where it would

1 not be in the public interest to have multiple subsidized  
2 carriers?

3 MR. THOMSEN: I have not found an area that we  
4 serve that would not benefit from the introduction of  
5 competitive services. And we serve some of the most rural  
6 parts of the United States.

7 MR. GREGG: The introduction of competitive  
8 services is a different issue than the issue of subsidized  
9 competition, and that was my question. Is your answer  
10 still, yes, there is no area where it would not be in the  
11 public interest?

12 MR. THOMSEN: It -- I --

13 MR. GREGG: To subsidize competition --

14 MR. THOMSEN: -- have not seen a place in America  
15 where I believe it would not benefit the residents to have a  
16 second carrier that is an ETC.

17 MR. GREGG: And regardless of the cost to the  
18 universal service fund and all the consumers in the United  
19 States?

20 MR. THOMSEN: No, I disagree with that, because  
21 I believe that, in fact in a lot of cases, wireless carriers  
22 can provide service significantly less expensively than wire  
23 line carriers can.

24 And that, in fact, if we are going to be looking  
25 at this from the consumer standpoint throughout the United

1 States, we should look at providing ETC based on the lowest  
2 cost provider rather than the highest cost provider or the  
3 entrenched provider.

4 MR. GREGG: How would you all react to a  
5 guideline that established presumptive benchmarks?  
6 Something along the lines of any area that received \$30 per  
7 line per month or more in support, there should be only one  
8 ETC. In areas that receive more than \$20 per line per  
9 month, but less than 30, there should be only two ETCs. And  
10 in areas that receive support of \$20 per line per month, or  
11 less, there should be no limit.

12 These would be presumptive benchmarks, which the  
13 states could overcome by particular evidence about  
14 particular areas and particular carriers. But it would be a  
15 guideline to the states to at least start looking at what  
16 are those areas where it may be too costly to serve and that  
17 it is not in the public interest to support more than one  
18 subsidized carrier.

19 Any reaction?

20 MR. STRAND: That seems like a possibility,  
21 however, I would want to make sure that there were  
22 protections in place to ensure that nobody is engaging in  
23 what is termed gold plating so that they can reach the \$30  
24 threshold.

25 Now that does exist, but in NECA today, they have

1 an auditing system where they come and audit the companies  
2 that get universal service funding every three years to  
3 ensure that their costs are appropriate and so forth. But  
4 as long as that was the case, then that seems like a  
5 possibility anyway.

6 MR. GREGG: Mr. Metts?

7 MR. METTS: I agree.

8 MR. GLOVER: I think, from our standpoint, again,  
9 if it were a guideline that can be utilized and then let's  
10 say the funding fell down below -- say it was somewhere at  
11 \$18 per line per month -- and then the commission found that  
12 it was not in the public interest through a public interest  
13 determination and that outweighed the standard, that they  
14 should have the ability to decline opening that market up to  
15 an ETC.

16 The real problem, one of the biggest standard  
17 problems that you have today, is the fact that, as Mr.  
18 Thomsen said, that they provide coverage where usage occurs.  
19 You have a business, a wireless business, which is able to  
20 monitor where the usage occurs by cell site. Look at your  
21 bill, you can look at it and see just where your roaming  
22 occurred, how much they charge you, yet they are compensated  
23 based on billing address.

24 And so that is an issue, because a lot of the  
25 usage could occur outside of the study area. So there are a

1 number of things here that need to be addressed before you  
2 can determine what level of support they should actually  
3 receive.

4 MR. THOMSEN: As was stated in the last panel,  
5 however, I believe there's an awful lot more people who have  
6 billing addresses in big cities and use the service in rural  
7 markets.

8 We've seen that, with the introduction of one  
9 rates from AT&T, a significant of our customers became AT&T  
10 customers and became our roamers, and, in fact, had billing  
11 addresses in cities. And I would say that it's much more  
12 prevalent that way than the way that Jeff described it.

13 COMMISSIONER ABERNATHY: Let me do a follow-up to  
14 what Billy Jack -- what you were saying, which tries to get  
15 at the same issue, the cost benefit analysis, the cost of a  
16 new competitor coming in versus the benefits of a new  
17 competitor coming in.

18 If we didn't go with a tiered approach, one other  
19 possible alternative that I think some of parties mentioned  
20 was, placing some obligation on the state commissions to  
21 actually take into account this balance, the cost versus the  
22 benefits.

23 Is that possible, to put something like that into  
24 place and, if so, how would the state even be able to get at  
25 that? I think -- and you kind of mentioned that a little

1 bit up front.

2 MS. BOYLE: Well, I -- that's what I was  
3 referring to when I talked about one of the things that we  
4 should consider as a public interest. But, right now,  
5 there's a disconnection between the states and what we do on  
6 the impact on the fund.

7 And so I am always concerned when I know that  
8 there is a carrier who's coming in or asking for status when  
9 we -- there's already a primary carrier, and the cost of  
10 doing that to one, two, three, and four. I think it is not  
11 in the public interest and I think perhaps Billy Jack has  
12 come up on perhaps a somewhat of a solution in tiering it.

13 I am not opposed to competition so that it  
14 increases quality of service, but at some point we have to  
15 say, at what cost? And that, to me, is part of our  
16 responsibility as government officials.

17 MR. STRAND: I think that the commission, in  
18 every case where there is an ETC application, should at  
19 least ask themselves the question, if the incumbent goes  
20 away and the new CETC is all that's left, is that in the  
21 best interest of the consumer.

22 You know, that may not happen. Both may be able  
23 to survive or a third may be able to survive, I don't know.  
24 But I think you -- commissions need to ask themselves that  
25 question.

1           MR. GREGG: Let me follow up on that. Obviously,  
2   under 214(e)(4) once an additional ETC enters a rural area,  
3   or any area, the original ETC can abandon that area. If we  
4   do not require equal access -- as all land line providers  
5   now do provide equal access -- and the incumbent land line  
6   ETC leaves, leaving only a wireless ETC, what would happen  
7   to customers and their ability to access the long distance  
8   carrier of their choice?

9           MR. STRAND: Well, at this point my understanding  
10   is their long distance would be put to whoever the wireless  
11   carrier uses themselves, or some other network.

12           MR. GREGG: That would eliminate the freedom of  
13   choice of customers in those areas?

14           MR. STRAND: That's certainly my understanding,  
15   yes.

16           MR. GREGG: Do you think that is in the public  
17   interest?

18           MR. STRAND: No.

19           COMMISSIONER ABERNATHY: Well, except it depends  
20   on what service they're offering. I mean, if it's unlimited  
21   minutes anywhere, I'm not sure that it matters because you  
22   pick up your phone and use it. But it comes into play if,  
23   in fact, you still have an environment where you are charged  
24   separately for local versus long distance minutes.

25           So a whole lot, I think, would depend on how --



1     and that's why it gets so complex when you're trying to  
2     compare these apples and oranges -- how does the wireless  
3     carrier market and how do the consumers value what it is  
4     that the wireless carrier is marketing?

5                 MR. THOMSEN: I think that equal access was put  
6     in place to protect the consumers from monopoly. When there  
7     is a competitor that comes in, especially when the  
8     competitor, like we do and most wireless carriers do,  
9     include long distance with their local calling, in essence  
10    it is free to the consumer.

11                So if the wireless carrier were to offer equal  
12    access, they would offer free -- or spend some money on the  
13    carrier of their choice, which, you know, it's an  
14    intelligence test to a certain extent.

15                I think, though, that if a situation ever  
16    occurred -- and we never heard of it happening, and we've  
17    certainly never seen it happen -- where an incumbent ETC  
18    goes out of business and the competitive carrier takes over.

19                It would not be a bad thing for this same type  
20    of monopoly type of requirements to then be part of the now  
21    new incumbent ETC that is providing service to that  
22    community.

23                MR. GREGG: So you would be willing to waive your  
24    332(c)(8) arguments in that case?

25                MR. THOMSEN: In a case, yes, where we became the

1 monopoly.

2 MR. GLOVER: I think, from our standpoint, again,  
3 regardless of how equal access, you know, intended to be,  
4 whether it's to protect against monopolistic type behavior,  
5 the fact is, when you look at the Act, it is specific with  
6 regard to competitive neutrality.

7 And to the extent that the wireless provider has  
8 a captive revenue stream versus the incumbent, it does  
9 provide an advantage. But the real issue is back to your  
10 initial question with regard to what happens to consumers if  
11 the wire line carrier abandons the markets.

12 I mean, when you look at it today, when you poll  
13 rural consumers and you ask them what they want, they don't  
14 just jump up and say, we'd like to have our wireless carrier  
15 supported for universal service. What they say is, we'd  
16 like to have broadband connectivity, we'd like to have  
17 intermit, we'd like to have DSL, we'd like for our  
18 businesses to be able to grow, we'd like for our medical  
19 clinics to have telemedicine and so forth.

20 So when you look at the larger implications of  
21 policy here, it's very important to take into the sense the  
22 total value proposition. And also there's argument -- we  
23 talk about this as if we're funding a new entrant. But, I  
24 mean, even Mr. Thomsen here admitted they've been in Montana  
25 since 1992.

1           Many of these businesses have already had  
2   business cases that were built out, that were providing  
3   service. This is just an incremental revenue stream that  
4   they've been forced to apply for, as Commissioner Wool has  
5   implicated.

6           Wall Street -- we need a lot of these companies  
7   to tell them to get this money. And, quite frankly, having  
8   been in the rural wireless business, I can tell you you had  
9   every incentive in the world to build out to rural America.

10          We're one big high margin revenue stream, and  
11   that was roaming. Roaming revenues someone could just drive  
12   through your market, pick up the phone and use it, and  
13   wireless carriers make money. When you're a wire line  
14   provider, unless they stop at Aunt Bea's and eat a piece of  
15   pie and visit there, and pick up the phone and make a toll  
16   call, you're not going to make any money.

17          So there are incentives for them to build out  
18   into rural areas. And so, the key thing is, when you look  
19   at the whole, in terms of the services that rural consumers  
20   want, don't lose sight of the broadband equation and the  
21   other advance services that they need from the incumbent  
22   provider.

23          COMMISSIONER ADELSTEIN: If I could follow up  
24   on -- go ahead, Nan has a --

25          COMMISSIONER ABERNATHY: Can we go ahead and let

1 Nan --

2 COMMISSIONER ADELSTEIN: Nan, go ahead. I guess  
3 I won't follow up.

4 COMMISSIONER ABERNATHY: Go ahead and follow up.

5 COMMISSIONER ADELSTEIN: Well, just because it  
6 fits with that -- I mean, the question is, if it is  
7 incremental funds that are coming on top of a business that  
8 was already operating, there would a legal requirement under  
9 254(e) that all those funds be used for universal service  
10 for the supported services. But there's virtually no  
11 follow-through, as far as I can tell, by state commissions  
12 or by the FCC to ensure that, in fact, 254(e) is complied  
13 with.

14 What additional requirements should we be doing  
15 to ensure that all funds are used as intended for supported  
16 services and that none of them goes straight to the  
17 company's bottom line, because that's not where they belong?

18 MR. STRAND: In fact, it's like the most amazing  
19 coincidence in the world that the CETCs utilize the exact  
20 same dollar funds to their universal service offerings as  
21 the incumbents, and they have to, because they get the  
22 funding based on our costs.

23 And so they somehow have to show that they spent  
24 exactly as much money as we did, and doesn't that seem to be  
25 the most remarkable coincidence in the world that they spent

1 exactly what we did on their universal service offer.

2 MR. THOMSEN: In fact, we spent dramatically more  
3 than you did, and we just -- we put 600 million dollars into  
4 rural America in the last three years. And we didn't get a  
5 guaranteed cent of return for that 600 million dollar  
6 investment. As opposed to the rural telcos, which not only  
7 get a return, get an 11.25 percent return.

8 This is -- you know, we're in a competitive world  
9 and the rural markets are becoming a part of that  
10 competitive world. And I really think that we need to  
11 figure out a way to make the universal service funding  
12 process reflect that, and reflect the fact that there are  
13 advantages to running your company like a business towards  
14 having a -- towards cutting costs.

15 When we went into Montana, there were ten  
16 companies that owned the twelve licenses in Montana. We  
17 bought each of them out, we replaced the general managers  
18 that each of those ten companies had with a single general  
19 manager, we replaced the ten switches that those companies  
20 had with a single switch.

21 We became an efficient company. And we provide  
22 better service and broader coverage than any other wireless  
23 company in the State of Montana or in most of the other  
24 states that we provide service in because we are --

25 COMMISSIONER ADELSTEIN: Excuse me. My question

1     wasn't whether you're investing, the question is, are the  
2     investments identical to the amount of universal service  
3     you're providing and you willing, then --

4             MR. THOMSEN: They're significantly greater,  
5     Commissioner.

6             COMMISSIONER ADELSTEIN: So you're willing to  
7     document that? I mean, would you go in with us to have a  
8     system where we would require audits and --

9             MR. THOMSEN: You can go in and read our public  
10    statements -- we're a public company -- and you can see  
11    exactly how much we spend on capital expenditures, and you  
12    can see how much money we bring in from -- and there is a  
13    wide gulf between the two.

14            MR. GREGG: How would you react to us adopting a  
15    guideline that suggested or required states, as part of the  
16    annual 254(e) certification, to review the amount of  
17    universal service funds received and how they were spent  
18    each year by each ETC within the state?

19            MR. THOMSEN: I would say that would possibly  
20    make sense in an over all sense. If you took it, not to the  
21    state, but to the nation as a whole, there are -- most of  
22    the -- or a lot of the companies that are receiving ETC  
23    funds, both wire line and wireless, cover more than one  
24    state.

25            MR. GREGG: But the state was the entity that

1 granted you the ETC status, except in places where the state  
2 did not have jurisdiction.

3 MR. THOMSEN: That's true.

4 MR. GREGG: And the states are required now to  
5 submit a 254(e) certification each year to the FCC that all  
6 funds are being used appropriately by all ETCs.

7 MR. THOMSEN: As I understand it, the -- and, you  
8 know, I'm not a lawyer, I do not know the specifics of these  
9 things, but it's my understanding that the universal service  
10 funds are going to pay back embedded costs from the current  
11 telcos, and that it isn't something that's a forward-looking  
12 process.

13 It isn't saying, okay, the money you're getting,  
14 you're spending this year. In fact, it's saying, the money  
15 you're getting is paying you back for money you've spent in  
16 past years.

17 MR. GREGG: One thing --

18 COMMISSIONER ABERNATHY: You know, I'm going to  
19 preempt at this point to allow Commissioner Thompson an  
20 opportunity to ask a question, because we are over, and I  
21 promised we'd get out of here on time, so obviously I'm  
22 wrong, but we're going to let Commissioner Thompson ask some  
23 questions, quick answers, and then we're going to -- and the  
24 panel.

25 MS. THOMPSON: And this is a quick question. I

1 want to round out the record on the issue of service route,  
2 the coverage throughout the service area. And, if you look  
3 back at the orders, an FCC order on -- the FCC policy that  
4 talks about ETC serving customers in a service area upon  
5 reasonable request.

6 And the question is two-fold and you can answer  
7 them both real quickly. First, is this the correct standard  
8 about when an ETC should serve a customer? And, if so, how  
9 do you define a reasonable request?

10 MR. STRAND: Where do you want to start?

11 MS. THOMPSON: Whoever opens their mouth first.

12 MR. STRAND: The correct standard is the standard  
13 that's set forth in federal law, which is you have to  
14 provide service across the entire study area when you were  
15 as a prerequisite to designation.

16 MS. THOMPSON: Okay. Anybody else?

17 MR. THOMSEN: I think a reasonable request is  
18 what's happening right now in -- for rural telcos, and it is  
19 a standard that is fine for ETCs as well, competitive ETCs.

20 MR. METTS: If we, as an ILEC, have a request for  
21 service from a customer and don't provide that service as  
22 quick as we should, we will hear from the state commission,  
23 so I guess we have that as a reasonable request.

24 The other issue I guess I would like to say is, I  
25 still think the whole point or role of this about ETCs is



1 the fact that there would be less of them if they were  
2 getting support based on their costs. I think that's pretty  
3 well understood.

4 COMMISSIONER ABERNATHY: And on that note, I  
5 think we will end today's meeting. I, again, want to thank  
6 all of the panelists, my fellow joint board members for  
7 their commitment, and who I missed going in was the staff,  
8 who work so hard at putting this together, contacting  
9 everyone, distributing all of the papers to us. You guys  
10 did a super job and I really want to thank you.

11 Any closing?

12 (No response.)

13 COMMISSIONER ABERNATHY: Everybody happy? All  
14 right. We're out of here.

15 (Whereupon, at 2:52 p.m., the meeting concluded.)

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REPORTER'S CERTIFICATE

IN RE: Federal-State Joint Board on Universal  
Service  
DATE: July 31, 2003  
LOCATION: Denver, Colorado

I hereby certify that the proceedings and  
evidence are contained fully and accurately on the tapes  
and notes reported by me at the hearing in the above case  
before the Federal Communications Commission.

Date: August 13, 2003



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Marjorie Bryant

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